Federation of Malysia

EDICT OF GOVERNMENT

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Shariah 2 (2010) (English): Shariah Governance Framework for Islamic Financial Institutions

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PART 1: OVERVIEW

1. Introduction

1.1 Shariah principles are the foundation for the practice of Islamic finance through the observance of the tenets, conditions and principles espoused by Shariah. Comprehensive compliance with Shariah principles would bring confidence to the general public and the financial markets on the credibility of Islamic finance operations.

1.2 Bank Negara Malaysia (the Bank) places great importance in ensuring that the overall Islamic financial system operates in accordance with Shariah principles. This is to be achieved through the two-tier Shariah governance infrastructure comprising two (2) vital components, which are a centralised Shariah advisory body at the Bank and an internal Shariah Committee formed in each respective Islamic financial institution (IFI).

1.3 The Shariah Advisory Council of Bank Negara Malaysia (SAC) is a body established under section 51 of the Central Bank of Malaysia Act 2009 that has positioned the SAC as the apex authority for the determination of Islamic law for the purposes of Islamic financial business. The mandates of the SAC, among others, are to ascertain the relevant Islamic law on any financial matter and issue a ruling upon reference made to it, as well as to advise the Bank and the IFI concerned on any Shariah issues relating to Islamic financial business operations, activities or transactions.

1.4 At the industry level, the duties and responsibilities of the internal Shariah Committee in advising the respective IFIs on Shariah matters were further deliberated in the Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions issued in 2004. The guidelines are now superseded in light of new developments in Islamic finance as well as higher expectation of the key stakeholders of the IFI pertaining to the Shariah compliance process.

1.5 The Bank has developed the Shariah governance framework for IFIs with the primary objective of enhancing the role of the board, the Shariah Committee and the management in relation to Shariah matters, including enhancing the relevant key organs having the responsibility to execute the Shariah compliance and research functions aimed at the attainment of a Shariah-based operating environment.

2. Objectives

2.1 The Shariah Governance Framework for the Islamic Financial Institutions (the Framework) is designed to meet the following objectives:

(i) sets out the expectations of the Bank on an IFI's Shariah governance structures, processes and arrangements to ensure that all its operations and business activities are in accordance with Shariah;

(ii) provides a comprehensive guidance to the board, Shariah Committee and management of the IFI in discharging its duties in matters relating to Shariah; and

(iii) outlines the functions relating to Shariah review, Shariah audit, Shariah risk management and Shariah research.

3. Scope of Application

3.1 The Framework shall be applicable to all IFIs regulated and supervised by the Bank. Any reference to 'IFI' for the purpose of the Framework means:

(i) an Islamic bank licensed under Islamic Banking Act 1983 (IBA);

(ii) a takaful and retakaful operator registered under the Takaful Act 1984 (TA);

(iii) a financial institution licensed under the Banking and Financial Institutions Act 1989 (BAFIA) that participates in the Islamic Banking Scheme; and

(iv) a development financial institution prescribed under the Development Financial Institutions Act 2002 (DFIA) that participates in the Islamic Banking Scheme.

4. Legal Provision

4.1 The Framework is issued pursuant to section 59 of the Central Bank of Malaysia Act 2009, section 53A of the IBA, section 69 of the TA, section 126 of the BAFIA and section 126 of the DFIA.

4.2 The Framework shall be read together with the related guidelines listed, but not limited to, as per **Appendix 1**.

5. Effective Date & Compliance Deadline

5.1 The Framework shall take effect starting 1 January 2011.

5.2 The IFI shall be given six (6) months from the effective date of the Framework to comply with all the requirements. Subsequently, each IFI is required to confirm the status of compliance with the Framework at the end of the six (6) month period.

6. Approach

6.1 The Framework is divided into six (6) sections:

Section I	General requirements of the Shariah governance framework This section outlines the general requirements of the Shariah governance framework, which describes the essential key functions or key organs[1].
Section II	Oversight, accountability & responsibility This section outlines the level of accountability and responsibility expected of the board of directors, Shariah Committee and management of an IFI.
Section III	Independence This section aims to safeguard the independence of the Shariah Committee in ensuring sound Shariah decision-making and emphasis on the role of the board of directors in recognising the independence of the Shariah Committee.
Section IV	Competency This section highlights requirements and expected competencies to ensure key functions are capable of implementing Shariah governance.
Section V	Confidentiality & consistency This section outlines the minimum set of rules that emphasises the importance of observing and preserving confidentiality, and improving the level of consistency in decision-making by the Shariah Committee.
Section VI	Shariah compliance & research functions This section prescribes the functions of the internal Shariah review, Shariah audit, Shariah risk management and Shariah research.

[1] For the purposes of this Framework, key functions or key organs refer to the functions in implementing Shariah governance at the IFI, i.e. the board, Shariah Committee, management and Shariah compliance and research functions.

PART 2: SHARIAH GOVERNANCE ARRANGEMENTS

SECTION I: General Requirements of the Shariah Governance Framework

Principle 1:

It is the duty and responsibility of an IFI to establish a sound and robust Shariah governance framework with emphasis placed on the roles of key functionalities in ensuring effective implementation of the Shariah governance framework.

1.1 An IFI carrying out Islamic financial business shall ensure that the aims and operations of its business are in compliance with Shariah principles at all times. An end-to-end Shariah compliant[2] control mechanism shall be established in all aspects of its business operations to ensure that all activities are Shariah compliant.

1.2 A sound and robust Shariah governance framework is reflected by effective and responsible board and management, an independent Shariah Committee that is both competent and accountable, supported by a strong internal Shariah research capacity, and monitored through active Shariah review, Shariah audit and Shariah risk management process.

1.3 The Shariah governance framework of an IFI shall, at the minimum, comprise the following:

(i) the board oversight on Shariah compliance aspects of the IFI's overall operations. The board is ultimately responsible for the establishment of an appropriate Shariah governance framework of an IFI. In setting up the Shariah governance framework, the board is expected to understand the Shariah non-compliance risks[3] associated with Islamic

[2] Shariah compliant refers to compliance to Shariah rulings and decisions issued by the SAC and Shariah Committee of the IFI respectively, and as determined by other relevant bodies.

[3] Shariah non-compliance risks refer to possible failures to meet the obligation to Shariah principles or in other words, possible incidences of Shariah non-compliances.

finance business and the issues relating to such risks, as well as the potential implications to the institution;

(ii) a Shariah Committee with qualified members who are able to deliberate Islamic finance issues brought before them and provide sound Shariah decisions. In this regard, every IFI is required to establish a Shariah Committee of which the majority shall comprise persons with appropriate qualifications and experience in Shariah;

(iii) effective management responsibilities in providing adequate resources and capable manpower support to every function involved in the implementation of Shariah governance, in order to ensure that the execution of business operations are in accordance with the Shariah;

(iv) an internal Shariah review that is conducted on a continuous basis, which is a review of processes and deliverables, as well as determining that such processes and outcomes satisfy the needs of the Shariah;

(v) a regular Shariah audit, at least on an annual basis, verifying that the IFI's key functions and business operations comply with Shariah;

(vi) a Shariah risk management process to identify all possible Shariah non-compliance risks and, where appropriate, remedial measures that need to be taken to reduce the risk;

(vii) an internal Shariah research team to conduct research on Shariah; and

(viii) issuance and dissemination of Shariah decisions to the relevant stakeholders[4].

1.4 The IFI's governance framework shall be translated through a set of policies and procedures that further explains the structure, roles, responsibilities, accountabilities, and the scope of duties of the various functions within the IFI.

[4] Relevant stakeholders refer to internal and external stakeholders. Internal stakeholders may refer to the shareholders, the board members, the management of IFI and the staff. External stakeholders may refer to existing customers of the IFI.

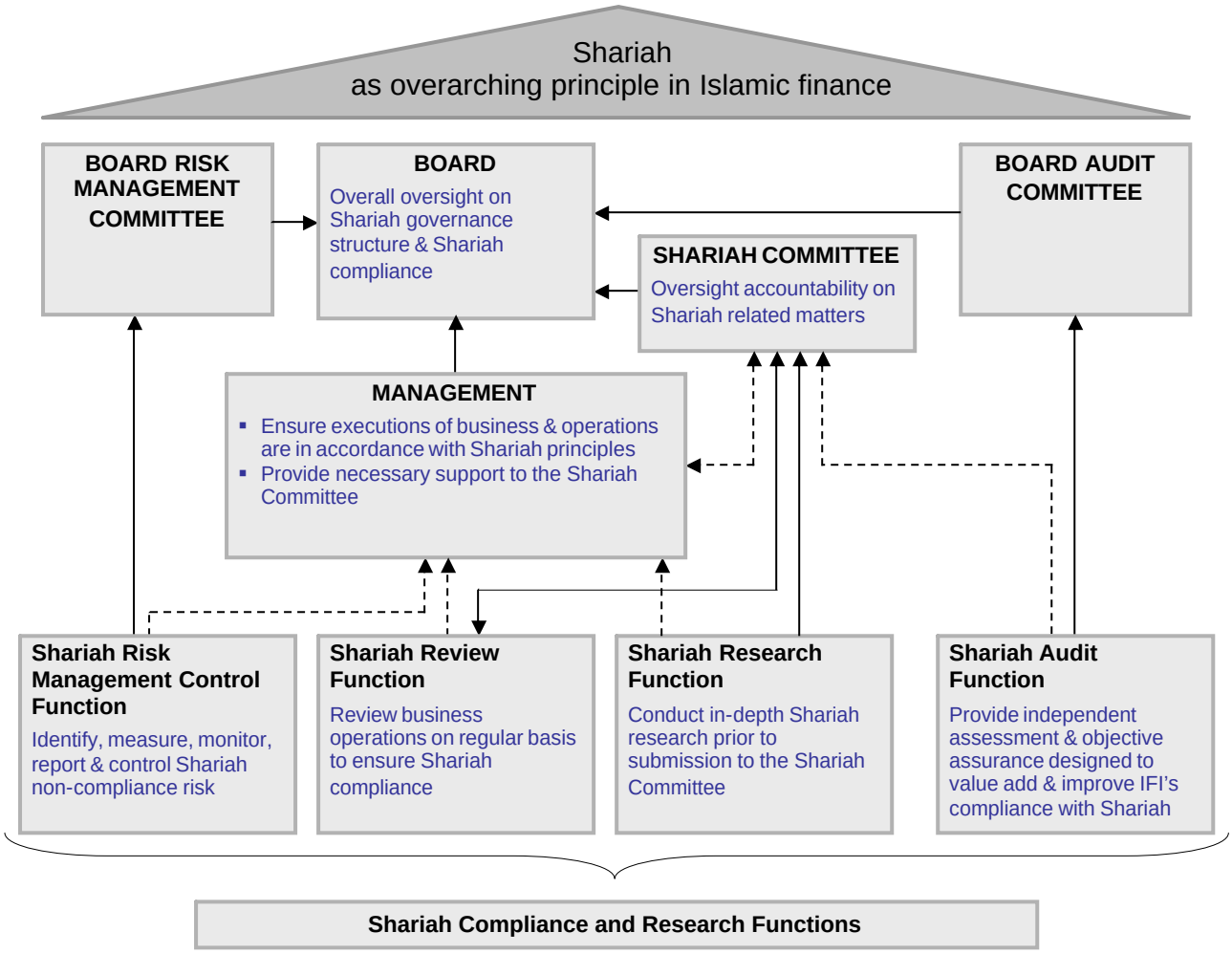
The IFI's policies and procedures shall also describe the communication arrangements among the various functions.

1.5 The Shariah compliance policies and procedures shall also define the course or method of action(s) an IFI should take to meet the desired objectives and outcomes, including how Shariah Committee meetings shall be conducted, how decisions are made and recorded, and how reports shall be prepared and submitted.

1.6 The IFI shall establish formal reporting channel(s) among the key functions to ensure that the reporting on Shariah matters is carried out effectively and on timely manner. In this regard, the Shariah Committee shall functionally report to the board of directors. The Shariah review function shall report concurrently to the Shariah Committee and management, and the Shariah audit findings shall be reported to the Board Audit Committee and Shariah Committee. All Shariah non-compliance events are to be reported to the board of the IFI and the Bank.

1.7 **Figure 1** illustrates a model structure of roles, functions and reporting relationships of key organs in the IFI's Shariah governance framework.

Figure 1: Shariah Governance Framework Model for Islamic Financial Institutions



1.8 The need to establish Shariah compliance and research functions within the organisation will depend on the size, complexity and nature of the business operations of the institution. Smaller, less complex institutions[5] may resort to other alternatives or means, e.g. outsourcing, subject to the approval of the Bank. In this regard, the institution shall apply to the Bank and provide an alternative structure, and the manner in which these key functions will be carried out. Any approval given by the Bank shall be an interim approval for a term not exceeding three (3) years, and may be subject to review from time to time. However, the accountability to ensure Shariah compliance shall remain with the IFI's board. The entity may apply for a fresh application two (2) months before the expiry of the interim approval.

[5] Refers strictly to International Islamic Bank, International Takaful Operator, International Currency Business Unit and Islamic windows for banking institutions.

Shariah Committee within a Financial Group

1.9 A financial group is allowed to establish a single Shariah Committee to serve the entire group. Given that the establishment of the Shariah Committee is a statutory requirement under IBA and TA, each licensed institutions within the financial group may apply for an exemption from the Bank if the financial group wishes to establish a single Shariah Committee to serve the whole group. An exemption shall only be granted to the IFI if the Bank is satisfied that the group Shariah Committee is able to demonstrate that it is sufficiently capable of serving the needs of the whole financial group.

SECTION II: Oversight, Accountability & Responsibility

Principle 2:

An IFI shall set out the accountability and responsibility of every key functionary involved in the implementation of Shariah governance framework.

Board of Directors

2.1 The board is ultimately accountable and responsible on the overall Shariah governance framework and Shariah compliance of the IFI, by putting in place the appropriate mechanism to discharge the aforementioned responsibilities. The board is also expected to perform diligent oversight over the effective functioning of the IFI's Shariah governance framework and ensure that the framework commensurates with the size, complexity and nature of its business.

2.2 The board, upon consultation with the Shariah Committee shall approve all policies relating to Shariah matters and is expected to ensure that such policies are implemented effectively.

2.3 The Shariah Committee members shall be appointed by the board upon the recommendation of its Nomination Committee. The number of Shariah Committee members to be appointed must not be less than five (5), the majority of whom must possess strong knowledge in Shariah and backed by the appropriate qualifications in that area.[6] The board must ensure that the Shariah Committee members are aware of their fiduciary responsibilities in discharging their duties.

2.4 The board may consider appointing at least one (1) member of the Shariah Committee as a member of the board that could serve as a 'bridge' between the board and the Shariah Committee. The presence of a director with sound Shariah knowledge would foster greater understanding and appreciation

[6] Refer to **Appendix 2** on the appointment and qualifications of the Shariah Committee members.

amongst the board members on the decisions made by the Shariah Committee.

2.5 The board must ensure that an effective communication policy among the key functions of the IFI is in place to facilitate smooth escalation of material matters relating to Shariah to the board. The communication policy should also ensure that staff in the IFI is fully aware on the need to observe the Shariah requirements at all times.

2.6 The board shall remunerate the Shariah Committee members appropriately as advised by its Remuneration Committee. Such remuneration shall reflect, and be commensurate with, the accountability, duties and responsibilities of the Shariah Committee.

Shariah Committee

2.7 The Shariah Committee shall be responsible and accountable for all its decisions, views and opinions related to Shariah matters. While the board bears the ultimate responsibility and accountability on the overall governance of the IFI, the board is expected to rely on the Shariah Committee on all Shariah decisions, views and opinions relating to the business of the IFI. As the Shariah decisions, views and opinions bind the operations of the IFI, the Shariah Committee is expected to rigorously deliberate the issues at hand before arriving at any decisions.

2.8 The Shariah Committee is expected to perform an oversight role on Shariah matters related to the institution's business operations and activities. This shall be achieved through the Shariah review and the Shariah audit functions. Regular Shariah review reports and the Shariah audit observations should enable the Shariah Committee to identify issues that require its attention and where appropriate, to propose corrective measures.

2.9 In discharging its duties, the Shariah Committee is expected to disclose sufficient information in the IFI's annual financial report on the state of

compliance of the IFI[7], as per the requirements under the Guidelines on Financial Reporting for Licensed Islamic Banks (GP8-i) and Guidelines on Financial Statements for Takaful Operators (GPT6).

2.10 Further requirements on the duties and responsibilities of the Shariah Committee and the operation procedures for the Shariah Committee are detailed out in **Appendix 4** and **Appendix 5** respectively.

Management

2.11 The management shall be responsible for observing and implementing Shariah rulings and decisions made by the SAC and the Shariah Committee respectively. The management is also responsible to identify and refer any Shariah issues to the Shariah Committee for decisions, views and opinions.

2.12 Given that the accountability of Shariah decisions rests with the Shariah Committee, the management is expected to provide information and disclosure which are complete and accurate to the Shariah Committee in a timely manner, and shall be transparent on any areas that need clarification by the Shariah Committee to enable the Shariah Committee to discharge its duties effectively.

2.13 It is the responsibility of management to allocate adequate resources and manpower to support the Shariah governance framework that commensurates with the size, complexity and nature of the IFI's business. The infrastructure and resources to be provided shall include, among others, budget allocation, reference and research materials, trainings and development, etc.

2.14 The management is responsible to provide continuous learning and training programs to the key internal stakeholders including the board, the Shariah Committee, and the relevant staff in Shariah and finance matters. This is to ensure that every function in the Shariah governance framework is sufficiently exposed to current developments in Shariah related matters.

[7] The example of minimum annual disclosure is given in **Appendix 3**.

2.15 It is the responsibility of the management to develop and adopt a holistic culture of Shariah compliance within the organisation. A holistic culture of Shariah compliance refers to the way in which the IFI complies with Shariah principles in its overall Islamic financial business operations. For example, the management should regularly remind the frontline staff on the importance of Shariah and the impact to the IFI if Shariah principles and practices are not observed, and to always place the Shariah as the overarching requirement in the formulation of any procedures and activities relating to Islamic financial business carried out by the IFI. In addition, all relevant staff are expected to be conversant on Islamic products offered by the IFI, as well as the underlying Shariah concepts and the similarities and differences with conventional products and concepts.

2.16 The management must ensure that Shariah policies and procedures are accessible at all times to those involved in the implementation of Shariah governance and the Shariah policies and procedures shall provide clarification on matters related to the end-to-end process of Shariah governance in the IFI. The management shall also be responsible in ensuring that the operations are executed according to the policies and procedures, and to constantly review and update the policies and procedures to reflect current market practices and developments.

2.17 In the event the management becomes aware that certain operations are found to be carrying out business(es) which is(are) not in compliance with Shariah, or against the advice of its Shariah Committee or the rulings of the SAC, the management shall:

(i) immediately notify the board and Shariah Committee as well as the Bank of the fact;

(ii) immediately cease to take on any new business related to the Shariah non-compliant business; and

(iii) within thirty (30) days of becoming aware of such non-compliance or such further period as may be permitted by the Bank, furnish a plan to rectify the state of non-compliance with the Shariah, to be duly approved by the board and endorsed by the Shariah Committee.

2.18 In cases where the Bank has reason to believe that an IFI is carrying on operations that are non-compliant with Shariah, the Bank may direct and require rectification measures to be instituted by the IFI.

SECTION III: Independence

Principle 3:

Independence of the Shariah Committee shall be observed at all times in exercising their duties to make objective and informed judgment.

3.1 The board shall recognise the independence of the Shariah Committee and ensure that the committee is free from any undue influence that would hamper the Shariah Committee from exercising objective judgment in deliberating issues brought before them. Correspondingly, the Shariah Committee is expected to make sound decisions on Shariah matters in an independent and objective manner.

3.2 The Shariah Committee shall report directly to the board and regularly inform the board on relevant Shariah matters.

3.3 The board shall ensure that decisions made by the Shariah Committee are duly observed and implemented by the IFI. Decisions made by the Shariah Committee should not be set aside or modified without its consent.

3.4 The Shariah Committee shall have access to accurate, timely and complete information from the management. If the information provided is insufficient, the Shariah Committee may request for additional information which shall be duly provided by the management.

3.5 In the event where the Shariah Committee is not provided with the required information, the board shall be informed of the fact and appropriate action shall be taken to rectify the situation. Where appropriate, the board shall consider taking the necessary punitive measures against parties who intentionally failed to extend the required information.

3.6 Where the Shariah Committee has reason to believe that the IFI has been carrying on Shariah non-compliant activities, the Shariah Committee shall inform the board and to recommend suitable measures to rectify the situation.

3.7 In cases where Shariah non-compliant activities are not effectively or adequately addressed or no rectification measures are made by the IFI, the Shariah Committee shall inform the Bank of the fact.

3.8 All appointment including reappointment, resignation and removal of the Shariah Committee members shall be made by the board, subject to the approval by the Bank and the SAC.

SECTION IV: Competency

Principle 4:

Any person bearing responsibilities outlined in the Shariah governance framework for an IFI shall possess the necessary competency and continuously enhance their knowledge and understanding on the Shariah as well as keep abreast on the latest developments in Islamic finance.

4.1 The board and management are expected to have reasonable understanding on the principles of the Shariah and its broad application in Islamic finance. The Shariah Committee is expected to have sufficient knowledge on finance in general, and Islamic finance in particular, to enable the Shariah Committee to comprehend Shariah issues brought before them. The Shariah Committee members are expected to constantly equip themselves with relevant knowledge on Shariah and finance as well as attend relevant training programs.

4.2 The IFI shall develop a set of fit and proper criteria for the appointment of any Shariah Committee member, using the minimum criteria set by the Bank[8] as a base to ensure that only competent persons are appointed as Shariah Committee members. The competency and credibility of the Shariah Committee members provide the assurance that the IFI's operations are being monitored by a credible and competent committee. The Bank may prescribe other criteria or requirements in addition to those set by the IFI, as and when the Bank considers it necessary.

4.3 The IFI shall engage other professionals such as lawyers, accountants and economists to provide appropriate assistance and advice to the Shariah Committee, especially regarding issues on law and finance.

[8] Refer to **Appendix 2** on 'Fit & Proper' Criteria (person) of the Shariah Committee set by Bank Negara Malaysia.

4.4 The IFI is required to adopt a formal process of assessing the performance of the Shariah Committee members. The assessment[9] should be designed to evaluate individual performance based on the competence, knowledge, contribution and overall effectiveness of the Shariah Committee members on Shariah deliberations. The process should also identify relevant gaps to enable proper training and exposure for the Shariah Committee members.

4.5 The IFI should develop a succession planning program for the Shariah Committee members by identifying, hiring and nurturing new members with the view to entrusting them with greater responsibilities as and when appropriate.

[9] The assessment shall be undertaken by the appropriate committee in the IFI that has been established for similar function by the board.

SECTION V: Confidentiality & Consistency

Principle 5:

Internal and privileged information obtained by the Shariah Committee members in the course of their duties shall be kept confidential at all times and shall not be misused.

5.1 The Shariah Committee shall be given the necessary access to files, records, draft materials and conversations, including those categorised as confidential, so long as the information is related to the work undertaken by the committee. The relevant information must be that which is critical for the Shariah Committee to form its decisions, views and opinions on matters brought to its attention. In this regard, it is the responsibility of the individual Shariah Committee to observe the principle of confidentiality at all times. Confidential or sensitive information obtained by any member of the Shariah Committee while serving his or her duties shall not be used in any manner that could be detrimental to the IFI.

5.2 Confidential information is information received by members of the Shariah Committee that is not public in nature and has not been authorised to be made public. Confidential information includes, but is not limited to, the following:

(i) information on the development of new products and services;

(ii) decisions of the board or management;

(iii) internal memorandums or reports prepared in connection with matters presented, or to be presented to the Shariah Committee;

(iv) the content or occurrence of conversations among members of the Shariah Committee concerning matters deliberated in the meeting and representatives of the IFI;

(v) the progress status on a business transaction or action that has not been made public;

(vi) views expressed by various parties in the course of discussions on a particular matter deliberated by the Shariah Committee; and

(vii) any subject matter that the IFI has indicated should not be revealed, such as internal policies and procedures.

5.3 Notwithstanding the above, the Shariah Committee will not be regarded as breaching the confidentiality and secrecy code if the sensitive information were disclosed to the Bank in good faith when reporting serious breaches of Shariah by the IFI.

5.4 IFI shall not appoint any member of its Shariah Committee from a Shariah Committee of another IFI within the same industry[10]. This is to ensure that the committee member would be more focused, avoiding conflict of interest and maintaining the confidentiality of information.

Principle 6:

Professional ethics, judgment and consistency shall be maintained in ensuring Shariah compliance.

6.1 In ensuring the quality and consistency of the Shariah decisions, the Shariah Committee is expected to develop a structured process in arriving at Shariah decisions which must be documented, adopted and maintained at all times to ensure the credibility of decision-making and protect the committee from undue influences.

6.2 Members of the Shariah Committee must not act in a manner that would undermine the rulings and decisions made by the SAC or the committee they represent. They are required to respect and observe the published Shariah

[10] IFIs regulated under the IBA and BAFIA are classified as 'Islamic banking industry', whilst IFIs regulated under the TA are classified as 'takaful industry'.

rulings issued by the SAC and shall not go against the decisions of the committee that they represent in public.

6.3 In cases where there are uncertainties and differences of opinions, the IFI may seek advice and refer for a ruling from the SAC[11].

6.4 In cases of disputes and court proceedings relating to Islamic financial business or any Shariah issues arising from the IFI's business operations, both the court and the arbitrator shall take into consideration the published rulings of the SAC or refer such issues to the SAC for its ruling. Any ruling made by the SAC arising from a reference made shall be binding on the IFIs and the court or the arbitrator. In the event where the decision given by the IFI's Shariah Committee is different from the ruling given by the SAC, the rulings of the SAC shall prevail. However, the Shariah Committee is allowed to adopt a more stringent Shariah decision.

[11] Request for advice shall be communicated through the Secretariat of the SAC as provided in **Appendix 6**.

SECTION VI: Shariah Compliance & Research Functions

Principle 7:

There shall be a robust Shariah compliance function, comprising review and audit functions, supported by risk management control process and internal research capacity.

7.1 The IFI shall establish Shariah compliance functions to be carried out through the review and audit functions, and supported by the risk management control function and internal research capabilities.

7.2 In the event that any part of these functions is outsourced, the oversight, accountability and responsibility over these functions must remain with the IFI. The IFI must also ensure that the independence, competency, control, management reporting structures and activities of these functions meet the requirements of the Framework.

(i) Shariah Review

7.3 The Shariah review function refers to regular assessment on Shariah compliance in the activities and operations of the IFI by qualified Shariah officer(s)[12], with the objective of ensuring that the activities and operations carried out by the IFI do not contravene with the Shariah.

7.4 The function involves the examination and evaluation of the IFI's level of compliance to the Shariah, remedial rectification measures to resolve non-compliances and control mechanism to avoid recurrences.

7.5 The scope shall cover the IFI's overall business operations, including the end-to-end product development process[13], which start from product structuring to product offering.

[12] A qualified Shariah officer is an officer who holds at least a bachelor's degree in Shariah, which includes study in *Usul Fiqh* (the origin of Islamic law) and *Fiqh Muamalat* (Islamic transaction/commercial law).

[13] Refer to the product development process in **Appendix 7**.

7.6 The review process shall cover, but is not limited to, the following:

(i) planning the review program which includes the objectives, scope, reporting, rectification and follow-up actions followed by the execution of the program;

(ii) documentation of the processes involved in the review;

(iii) communicating the outcome of the review and highlighting any non-compliances to the Shariah Committee and the management; and

(iv) rectifying any instances of non-compliance with the Shariah to prevent such events from recurring.

(ii) Shariah Audit

7.7 Shariah audit refers to the periodical assessment conducted from time to time, to provide an independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the IFI's business operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance.

7.8 The function shall be performed by internal auditors, who have acquired adequate Shariah-related knowledge and training. In addition, the internal auditors may engage the expertise of the IFI's Shariah officers in performing the audit, as long as the objectivity of the audit is not compromised.

7.9 For group structure, the capabilities of the group's internal Shariah audit function should be augmented in line with its responsibilities of serving several financial entities in the group.

7.10 Shariah audit may be conducted as part of the IFI's thematic audit on specialised areas such as management audit and Anti-Money Laundering (AML) audit, according to the risk level and materiality of the impact of Shariah non-compliance in these areas. Shariah audit on critical areas shall be conducted at least once a year depending on the risk profile of the IFI.

7.11 The Board Audit Committee, upon consultation with the Shariah Committee shall determine the deliverables of the Shariah audit function. The deliverables shall be consistent with accepted auditing standards.

7.12 The scope of Shariah audit shall cover all aspects of the IFI's business operations and activities, including:

(i) audit of financial statements of the IFI[14];

(ii) compliance audit on organisational structure, people, process and information technology application systems; and

(iii) review of adequacy of the Shariah governance process.

7.13 The process of Shariah audit shall be designed to enable the IFI to assess whether a sound and effective internal control system for Shariah compliance have been implemented, which should cover, but is not limited to, the following:

(i) understanding the business activities of the IFI to allow for better scoping of an audit exercise, i.e. auditability and relevance of activities;

(ii) developing a comprehensive internal audit program or plan. The program shall include objectives, scope, personnel assignment, sampling, control and duration as well as establish proper audit processes, policies and procedures of IFI's operations;

(iii) obtaining and making reference to relevant sources, including the SAC's published rulings, the Shariah Committee's decisions, fatwas, guidelines, the Shariah audit results and the internal Shariah checklist;

(iv) conducting Shariah audit on a periodical basis;

[14] In the event where the audit is undertaken by external auditors, IFI has to be satisfied that the scope of audit by the external auditor with regard to Shariah audit is comprehensive.

(v) communicating results of any assessment or findings arising from the Shariah audit to the Board Audit Committee and the Shariah Committee; and

(vi) providing recommendations on rectification measures taken as well as following-up on the implementation by the IFI.

7.14 The Bank may appoint or employ an external party or person to conduct a Shariah audit on the operations of the IFI, if the Bank considers it is desirable or in the interest of the IFI to do so, in which case the remuneration and expenses relating to the appointment shall be borne by the IFI.

(iii) Shariah Risk Management

7.15 Shariah risk management is a function to systematically identify, measure, monitor and control of Shariah non-compliance risks to mitigate any possible of non-compliance events. The systematic approach of managing Shariah non-compliance risks will enable the IFI to continue its operations and activities effectively without exposing the IFI to unacceptable levels of risk.

7.16 The Shariah risk management control function shall form as part of the IFI's integrated risk management framework.

7.17 Due to the technicality and complexity in managing the risk of non-compliance to the Shariah, the function shall be performed by risk officers that have suitable qualifications and/or experience in the subject matter.

7.18 Shariah risk management function involves:

(i) facilitating the process of identifying, measuring, controlling and monitoring Shariah non-compliance risks inherent in the IFI's operations and activities;

- Identifying and understanding the inherent Shariah non-compliance risks[15] in the IFI, taking into account existing controls that have been put in place and their effectiveness in mitigating such risks;

- Measuring the potential impact of such risks to the IFI, based on the historical and actual de-recognition of income derived from Shariah non-compliant activities;

- Monitoring of Shariah non-compliance risks to facilitate efficient and effective management of such risks. A report on the Shariah non-compliance risks indicators shall be escalated to the board, Shariah Committee and management periodically; and

- Controls to avoid recurrences. This involves keeping track of income not recognised arising from Shariah non-compliant activities and assessing the probability of similar cases arising in the future. Based on historical reviews and potential areas of Shariah non-compliance, the IFI may assess potential profits that cannot be recognised as eligible.

(ii) formulating and recommending appropriate Shariah non-compliance risk management policies and guidelines; and

(iii) developing and implementing processes for Shariah non-compliance risk awareness in the IFI.

(iv) Shariah Research

7.19 Apart from institutionalising a robust Shariah compliance function, there shall be an internal unit comprising qualified Shariah officers to conduct pre-product approval process, research, vetting of issues for submission, and undertake administrative and secretarial matters relating to the Shariah Committee.

[15] The IFI shall take into account reputational risk as one of the possible risk implication of non-compliance with the Shariah principles, which includes failure to provide transparency and full disclosure. Furthermore, non-compliance to sound corporate governance and prudent management of risk-based information will also trigger reputational risk to the IFI.

7.20 Shariah research and secretariat functions shall ensure proper deliberation and dissemination of Shariah related matters.

Shariah Research

7.21 This function refers to the conduct of performing in-depth research and studies on Shariah issues, including providing day-to-day Shariah advice and consultancy to relevant parties, including those involved in the product development process(es).

7.22 The function shall be performed by qualified Shariah officers and the scope of work shall predominantly cover aspects of the Shariah. However, the function also requires experts on legal, operational, and other related aspects or issues to form part of the presentation to the Shariah Committee. For example, a thorough research may be needed to review new products and business developments.

7.23 In undertaking such research, advice and input from experts on technical matters e.g. actuaries, accountants may be sought to ensure comprehensiveness and completeness in ensuring sound understanding of the relevant concepts and approaches.

7.24 In terms of advisory and consultancy roles, the function shall assist and provide advice to the relevant parties based on the decision of the Shariah Committee. For example, advice may be offered on the list of permissible investments, e.g. selection of permissible shares or stocks in the Bursa Malaysia stock market.

Shariah Secretariat

7.25 An IFI is required to establish a secretariat to serve the Shariah Committee.

7.26 The role of the secretariat shall include coordinating meetings, compiling proposal papers, disseminating Shariah decisions to relevant stakeholders and engaging with relevant parties who wish to seek further deliberations of issues from the Shariah Committee.

APPENDICES

Appendix 1: List of Related Guidelines

List of related guidelines:

Guidelines on Corporate Governance for Licensed Islamic Banks (GP1-i) (BNM/RH/GL/002-1)	24 January 2007
Guidelines on Directorship for Takaful Operators (BNM/RH/GL/004-1)	8 November 2004
Guidelines on Financial Reporting for Licensed Islamic Banks (BNM/RH/GL/002-2)	1 July 2005
Guidelines on Internal Audit Function of Licensed Institutions (BNM/RH/GL 013-4)	1 July 2010
Guidelines on Introduction of New Products (BNM/RH GL 008-3)	18 May 2009
Guidelines on Introduction of New Products for Insurance Companies and Takaful Operators (BNM/RH/GL 010-14)	1 July 2009
Guidelines on Outsourcing of Islamic Banking Operations (BNM/RH/GL/002-4)	23 June 2003
Guidelines on Outsourcing for Takaful Operators (BNM/RH/GL/004-8)	22 July 2008

List of superseded guidelines and circulars:

Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions (BNM/RH/GL/012-1)	1 April 2005

Appendix 2: 'Fit & Proper' Criteria (person) of the Shariah Committee

Appointment of the Shariah Committee

1. The board shall, upon recommendation of its Nomination Committee, nominate the appointment of the members of the Shariah Committee.

2. The appointment and reappointment of a Shariah Committee member shall obtain prior written approval of the Bank and the SAC.

3. In approving the appointment and reappointment, the Bank may impose necessary conditions it deems fit in addition to the requirements in the Framework. Failure to comply with any conditions shall nullify the approval.

Application Procedures of the Shariah Committee

1. In processing the application of a Shariah Committee member, a vetting shall be conducted to ensure that the proposed Shariah Committee member is a 'fit and proper' person. Similar vetting shall also be conducted for their reappointments.

2. Upon expiry of the term and until the Bank grants approval for renewal of term of the Shariah Committee member, the Shariah Committee member is not considered as a Shariah Committee member and is not allowed to perform his role as Shariah Committee member of the said IFI.

3. IFI must refrain from making any public announcements about any proposed changes of its Shariah Committee prior to obtaining the Bank's written consent for the proposed changes.

4. The application for the appointment or reappointment of members of the Shariah Committee shall be submitted to the Bank at least sixty (60) days before the proposed date of appointment. The application shall be made in the form BNM/JKS 1 as enclosed in **Appendix 8**.

Resignation and Dismissal of the Shariah Committee

1. An IFI shall notify the Bank of any resignation or dismissal of a member of the Shariah Committee within fourteen (14) days of the date of resignation or dismissal, stating the reasons of such resignation or dismissal.

2. The resignation or dismissal will only take effect upon approval from the Bank and the SAC.

Qualification

1. A member of a Shariah Committee shall be a Muslim individual. A company, institution or body shall not constitute a Shariah Committee for the purpose of the Framework.

2. The majority of members in the Shariah Committee shall at least hold bachelor's degree in Shariah, which includes study in *Usul Fiqh* (the origin of Islamic law) or *Fiqh Muamalat* (Islamic transaction/commercial law) from recognised university.

3. It is reasonable to expect that the majority members of the Shariah Committee should be able to demonstrate strong proficiency and knowledge in written and verbal Arabic, and have good understanding in Bahasa Malaysia and the English language.

4. The Shariah Committee may comprise experts from relevant backgrounds such as finance and law, which could support the depth and breadth of the Shariah deliberations. However, these members must not form the majority of the Shariah Committee.

5. The Shariah Committee preferably shall comprise members of diverse backgrounds in terms of qualification, experience and knowledge.

Disqualification

1. The members of the Shariah Committee shall be persons of acceptable reputation, character and integrity. The Bank together with the approval from

the SAC, reserves the right to disqualify any member who fails to meet the requirements. In particular, any member may be disqualified due to any of the following breaches:

i) acted in a manner which may cast doubt on his fitness to hold the position as a Shariah Committee member;

ii) failed to attend 75% of the Shariah Committee meetings in a year without reasonable excuse;

iii) declared a bankrupt or a petition under bankruptcy laws is filed against him;

iv) found guilty for any serious criminal offence or any other offence punishable with imprisonment of one (1) year or more; or

v) subject to any order of detention, supervision, restricted residence or banishment.

2. In the event that a Shariah Committee member becomes subject to any ground of disqualification or otherwise becomes unfit to hold such appointment as provided in the Framework, and/or in the letter of approval from the Bank and SAC, the IFI shall terminate the appointment of the Shariah Committee member.

Negative List

1. The Shariah Committee member shall not have any relationship, that could interfere or be reasonably perceived to interfere with the exercise of independent judgment, with the following persons:

i) an immediate family member such as spouse, children or siblings who are, or who were during the last financial year, employed by the IFI or any of its related companies as a chief executive officer (CEO) or non-independent board members; and

ii) a substantial shareholder of, or a partner in (with a stake of 5% or more), or an executive officer of, or a director of any for-profit business organisation to which the IFI or any of its subsidiaries made, or from which the IFI or any of its subsidiaries received, significant payments in the current or immediate past financial year.

2. The Shariah Committee member shall not be:

i) an employee of the IFI or any of its related companies for the current or the last financial year; and

ii) a Shariah Committee member of another IFI within the same industry.

Appendix 3: Shariah Committee's Report

Shariah Committee's Report

In the name of Allah, the Beneficent, the Merciful

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the ABC Islamic Financial Institution during the period ended XX/XX/XXXX. We have also conducted our review to form an opinion as to whether the ABC Islamic Financial Institution has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of ABC Islamic Financial Institution is responsible for ensuring that the financial institution conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of the ABC Islamic Financial Institution, and to report to you.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the ABC Islamic Financial Institution.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the ABC Islamic Financial Institution has not violated the Shariah principles.

In our opinion:

1. the contracts, transactions and dealings entered into by the ABC Islamic Financial Institution during the year ended XX/XX/XXXX that we have reviewed are in compliance with the Shariah principles;

2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

(where appropriate, the opinion paragraph shall also include the following matters:)

3. all earnings that have been realised from sources or by means prohibited by the Shariah principles have been considered for disposal to charitable causes; and

4. the calculation of *zakat* is in compliance with Shariah principles.

We, the members of the Shariah Committee of ABC Islamic Financial Institution, do hereby confirm that the operations of the ABC Islamic Financial Institution for the year ended XX/XX/XXXX have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee: ……

(Name:)

Shariah Committee: ……

(Name:)

Appendix 4: Duties, Responsibilities & Accountability of the Shariah Committee

The main duties and responsibilities of the Shariah Committee are as follows:

1. **Responsibility and accountability**

   The Shariah Committee is expected to understand that in the course of discharging the duties and responsibilities as a Shariah Committee member, they are responsible and accountable for all Shariah decisions, opinions and views provided by them.

2. **Advise to the board and IFI**

   The Shariah Committee is expected to advise the board and provide input to the IFI on Shariah matters in order for the IFI to comply with Shariah principles at all times.

3. **Endorse Shariah policies and procedures**

   The Shariah Committee is expected to endorse Shariah policies and procedures prepared by the IFI and to ensure that the contents do not contain any elements which are not in line with Shariah.

4. **Endorse and validate relevant documentations**

   To ensure that the products of the IFI comply with Shariah principles, the Shariah Committee must approve:

   i) the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and

   ii) the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

5. **Assess work carried out by Shariah review and Shariah audit**

To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.

6. **Assist related parties on Shariah matters**

The related parties of the IFI such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the Shariah Committee and the Shariah Committee is expected to provide the necessary assistance to the requesting party.

7. **Advise on matters to be referred to the SAC**

The Shariah Committee may advise the IFI to consult the SAC on Shariah matters that could not be resolved.

8. **Provide written Shariah opinions**

The Shariah Committee is required to provide written Shariah opinions in circumstances where the IFI make reference to the SAC for further deliberation, or where the IFI submits applications to the Bank for new product approval[16].

[16] In accordance with the Guidelines on Introduction of New Products for banking institutions and Guidelines on Introduction of New Products for Insurance Companies and Takaful Operators, issued by Bank Negara Malaysia.

Appendix 5: Operation Procedures for the Shariah Committee

Frequency of Meetings and Attendance

1. Meetings shall be held regularly to ensure that:

   i) the Shariah Committee is kept sufficiently in touch with the business of the IFI; and

   ii) the operations of the IFI are not adversely affected because of the difficulty in securing the Shariah Committee's approval for policy and decision.

2. The Shariah Committee meetings shall be held at least once in every two (2) months.

3. The Shariah Committee member is expected to contribute and allocate adequate time and efforts to discharge his duties effectively. The Shariah Committee member must attend at least 75% of the Shariah Committee meetings held in each financial year. Where necessary, the participation of the Shariah Committee can be facilitated by means of video or telephone conferencing.

4. The number of Shariah Committee meetings held in the year, as well as the attendance of every Shariah Committee member shall be disclosed in the IFI's annual report.

Minimum Quorum

1. The minimum quorum of a Shariah Committee meeting shall be two-third with majority of attending members must be members with Shariah background.

Decision-making

1. Decisions shall be made on the basis of two-third of the members present, with majority of the two-third votes shall be members with Shariah background.

Chairman

1. Chairman of the Shariah Committee shall be a member with qualified Shariah background.

2. In the event that the Chairman of the Shariah Committee is unable to attend the meeting, the members shall elect one (1) member among themselves to become the alternate Chairman to preside over the meeting. The alternate Chairman shall be a member with qualified Shariah background.

Reporting

1. The Shariah Committee shall put on record in its report or statements directed to the board, its concerns over any Shariah non-compliance issues.

Appendix 6: Secretariat of the Shariah Advisory Council (SAC)

1. Any reference or request for advice of the Shariah Advisory Council of Bank Negara Malaysia (SAC) shall be communicated through the Secretariat at Bank Negara Malaysia. All correspondence shall be directed to:

Pengarah
Jabatan Perbankan Islam dan Takaful
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
(Attn.: Secretariat Shariah Advisory Council)
Tel: 03 - 2698 8044 / Fax: 03 - 2693 3826

Appendix 7: Product Development Process

1. One of the major deliverables of every IFI is the offering of Shariah compliant financial products to the market to meet the demand of the customers. In this regard, the IFI must ensure that the product development process is comprehensive and robust to minimise possibilities of the product to be nullified on Shariah grounds.

2. Generally, Shariah non-compliance may occur during the product development process that could originate from improper structuring of products, lack of internal research in understanding the appropriate Shariah concepts, and misrepresentation of the product at issuance or marketing stage of the product.

3. The IFI must acknowledge that managing a Shariah-based institution has to be a continuous process, and it requires the IFI to have in place adequate and appropriate measures and controls, including risk-mitigating instruments that could address or mitigate Shariah non-compliance instances.

4. Therefore, the IFI is expected to refer all Shariah issues related to its end-to-end product development design and process to the Shariah Committee. The requirement for an advice or a decision must be made in a comprehensive manner for effective deliberation by the Shariah Committee. This will include explaining the process involved, documents used and other necessary information.

5. All new products shall be certified by the Shariah Committee and must be backed by the relevant *fiqh* literature, evidence and reasoning. There shall be rigorous deliberation process among the Shariah Committee as well as detailed scrutiny of the legal contracts and other documents relevant to the products or transactions.

6. Product development covers both pre-product approval (i.e. process of product structuring and developing prior to introduction to the market) and post-product approval process (i.e. process after the product has been offered to the customers and transactions have been carried out).

Pre-product Approval

i) Pre-product approval process involves namely the issuance of Shariah decisions, product structuring or design processes backed by comprehensive Shariah research, vetting of contracts and agreements as well as compliance checks before the product is offered to the customers.

ii) There shall be a formal and transparent procedure for issuance of Shariah decisions which are well documented and approved by the board and Shariah Committee.

iii) An IFI shall ensure that the pre-product approval process includes, among others, a review of the concept, structure, term sheet, documentations, policies and procedures, pamphlets, brochures and advertising materials. The documents shall be approved by the Shariah Committee of the IFI.

Post-product Approval

i) Post-product approval process involves monitoring product implementation to ensure compliance with Shariah principles, identifying the area of potential Shariah non-compliance risks and proposing the relevant actions to the management.

ii) An IFI must ensure that post-product approval in its Shariah governance framework also includes internal Shariah review and Shariah governance reporting. Without such follow-up, the IFI would not be able to monitor the consistency of its Shariah compliance and effectively manage any Shariah non-compliance risks that may arise over time.

Appendix 8: Application Form of the Shariah Committee

PERMOHONAN PELANTIKAN ANGGOTA JAWATANKUASA SYARIAH
Application to Appoint Member of Shariah Committee

ARAHAN

Borang BNM/JKS 1 ini hendaklah diisi oleh calon yang dicadangkan oleh institusi sebagai anggota Jawatankuasa Syariah. Sila gunakan kertas tambahan sekiranya ruang yang disediakan tidak mencukupi. Pastikan **setiap muka surat** termasuk kertas tambahan yang digunakan ditandatangani dan pastikan **segala maklumat terdahulu dan semasa** yang dikehendaki dalam borang ini diisi dengan lengkap. Nyatakan "Tiada" atau "Tidak Berkenaan" sekiranya maklumat tersebut tidak berkenaan bagi calon.

Borang yang lengkap hendaklah dihantar ke alamat seperti di bawah:

INSTRUCTION

This form BNM/JKS 1 should be completed by the candidate proposed by the institution as Shariah Committee member. If the space allocated is not sufficient, additional paper may be attached. Please initial ***on each page****, including on the additional papers used and provide* ***all past and current information*** *as required in this form. Indicate "Nil" or "Not Applicable" if the items are not relevant to the candidate.*

The completed form should be sent to the address below:

Pengarah
Jabatan Perbankan Islam dan Takaful
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

NAMA INSTITUSI YANG MEMOHON
(Name of Applicant Institution)

Sila tandakan ( ) pada petak yang berkenaan
(Please tick ( ) in the relevant box)

☐ Pelantikan baru (*New appointment)*

☐ Pelantikan semula (*Reappointment)*
Tarikh tamat pelantikan : _____
(Expiry date of current appointment)

Sila lampirkan gambar berukuran pasport *(Please attach passport-sized photo)*

A. BUTIR-BUTIR PERIBADI
(Personal Particulars)

1. NAMA *(Name)*

2. NO. KAD PENGENALAN *(NRIC No.)*

3. NO. PASPORT *(Passport No.)*

4. TARIKH / TEMPAT LAHIR *(Date / Place of Birth)*

5. KEWARGANEGARAAN *(Nationality)*

6. STATUS PERKAHWINAN *(Marital Status)*

7. JAWATAN SEKARANG *(Current Designation/Post)*

8. ALAMAT KEDIAMAN SEKARANG *(Current Residential Address)*

9. NAMA & ALAMAT MAJIKAN SEKARANG *(Name & Address of Current Employer)*

10. NO. TELEFON *(Telephone No.)*
▪ Kediaman *(Residential)*: _____ ▪ Pejabat *(Office)*: _____ ▪ Telefon Bimbit *(Mobile)*: _____

11. NO. FAKSIMILI *(Fax No.)*

12. E-MEL *(E-mail)*

13. LAMAN WEB PERIBADI *(Personal Website or Blog)*

14. BAHASA PERHUBUNGAN *(Language of Communication)*

B. KELAYAKAN DAN PENGALAMAN
(Qualification and Experience)

15. KELAYAKAN AKADEMIK DAN IKHTISAS *(Academic and Professional Qualification)*

KELULUSAN *(Qualification)*	INSTITUSI PENGAJIAN/BADAN PROFESSIONAL *(Institution of Learning/Professional Body)*	NEGARA *(Country)*	TAHUN KELAYAKAN DIPEROLEHI *(Year Qualification is Obtained)*

16. PENGKHUSUSAN BIDANG *(Field of Expertise)*

☐ Syariah *(Shariah)**

☐ Pengajian Islam selain Syariah *(Islamic studies other than Shariah)*

☐ Perundangan *(Legal)*

☐ Kewangan *(Finance)*

☐ Perakaunan *(Accounting)*

☐ Lain-lain *(Other)*: _____

* Individu yang berpengetahuan dan pakar, khususnya dalam bidang Syariah termasuk *Usul Fiqh* dan *Fiqh Muamalat*, dan mempunyai pengetahuan yang baik dalam penulisan dan pertuturan Bahasa Arab.

(A person who is learned and expert, specialisation in Shariah including Usul Fiqh and Fiqh Muamalat, and also has good knowledge of written and verbal Arabic).

17. PENGALAMAN BEKERJA *(Working Experience)*				
JAWATAN *(Position)*	TANGGUNGJAWAB UTAMA *(Main Responsibility)*	NAMA ORGANISASI *(Name of Organisation)*	TEMPOH *(Period)*	
			Dari (*From*)	Hingga (*Until)*

18. KEANGGOTAAN SEBAGAI PENASIHAT SYARIAH DI ORGANISASI LAIN *(Membership as Shariah Advisor in Other Organisations)*		
ORGANISASI *(Organisation)*	Tempoh (*Period*)	
	Dari (*From*)	Hingga (*Until)*

19. PENULISAN, KAJIAN ATAU KERTAS KERJA *(Writings, Research or Paperwork)*	
TAJUK *(Topic)*	TAHUN *(Year)*

PENGAKUAN DAN PENGESAHAN CALON
(Declaration and Confirmation of Candidate)

20. PENGAKUAN *(Declaration)*

Sila nyatakan sama ada anda pernah dicadangkan / dilantik / diluluskan pelantikan oleh Bank Negara Malaysia sebagai seorang anggota Jawatankuasa Syariah di mana-mana institusi yang dikawal selia oleh Bank Negara Malaysia di bawah undang-undang berikut dalam tempoh tiga (3) bulan lepas:

i) Akta Bank Islam 1983;
ii) Akta Bank dan Institusi Kewangan 1989;
iii) Akta Institusi Kewangan Pembangunan 2002; dan
iv) Akta Takaful 1984.

Please indicate if you have been nominated / appointed / approved for the appointment by Bank Negara Malaysia as a member of Shariah Committee of any institution regulated and supervised by Bank Negara Malaysia under the following law in the past three (3) months:

i) Islamic Banking Act 1983;
ii) Banking and Financial Institutions Act 1989;
iii) Development Financial Institutions Act 2002; and
iv) Takaful Act 1984.

☐ Ya / (Yes) ☐ Tidak / (No)

Jika jawapan anda adalah "Ya", sila nyatakan institusi tersebut.
(If the answer is "Yes", please indicate the institution(s) concerned.)

Institusi / *(Institution)*:_____

Saya mengaku bahawa saya:
I declare that I:

(a) bukan seorang muflis, tidak pernah diisytiharkan sebagai seorang muflis, dan tidak menghadapi sebarang tindakan di bawah sebarang undang-undang muflis;
am not a bankrupt, have never been declared a bankrupt, and no petition under bankruptcy laws has been filed against me;

☐ Ya / (Yes) ☐ Tidak / (No)

(b) tidak pernah dibuktikan atas kesalahan jenayah berat atau sebarang kesalahan yang boleh dihukum penjara selama satu (1) tahun atau lebih;
have not been convicted for a serious criminal offence or any other offence punishable with imprisonment for one (1) year or more;

☐ Ya / (Yes) ☐ Tidak / (No)

(c) tidak terikat kepada sebarang perintah tahanan, pengawasan, kediaman terhad atau buang negeri;
am not subject to any order of detention, supervision, restricted residence or banishment;

☐ Ya / (Yes) ☐ Tidak / (No)

(d) tidak menghadapi sebarang siasatan oleh mana-mana badan kerajaan, pihak berkuasa berkanun, yang mana penemuan yang tidak memuaskan telah diperolehi; dan
am not subject to any inquiry/investigation carried out by any governmental, statutory authority/body, in which an adverse finding was found; and

☐ Ya / (Yes) ☐ Tidak / (No)

(e) tidak mempunyai sebarang halangan atau larangan oleh mana-mana badan kerajaan, pihak berkuasa berkanun, undang-undang atau perjanjian dengan mana-mana pihak untuk berkhidmat sebagai anggota Jawatankuasa Syariah di institusi ini.
am not subject to any prohibition by any governmental, statutory authority/body, governing law or by any agreement with another party to perform my duty as a Shariah Committee member in this institution.

☐ Ya / (Yes) ☐ Tidak / (No)

21. PENGESAHAN *(Confirmation)*

Saya dengan ini mengesahkan bahawa semua maklumat yang dikemukakan di atas adalah benar dan lengkap.

I hereby confirm that all the information given above is true and complete.

……
Tandatangan / *(Signature)*

……
Nama Penuh / *(Name in Full)*

……..
Tarikh / *(Date)*